SENATE RECORD VOTE ANALYSIS

106th Congress | July 14, 2000, 11:13 a.m.

2nd Session | **Vote No. 197** | Page S-6781 Temp. Record

DEATH TAX REPEAL/Final Passage

SUBJECT: **Death Tax Elimination Act . . . H.R. 8. Final passage.**

ACTION: BILL PASSED, 59-39

SYNOPSIS: As passed, H.R. 8, the Death Tax Elimination Act, will repeal the estate, gift, and generation-skipping taxes. The taxes will be phased out through 2009 and completely eliminated in 2010. Key details are provided below.

Rate reductions prior to elimination:

- 2001, the 5-percent "surcharge" levied against estates to capture the tax benefit of graduated rates will be eliminated;
- 2002, the top estate-tax rate will be lowered from 55 percent to 50 percent;
- 2003-2006, all estate tax rates will be reduced by 1 percent per year;
- 2007, all estate tax rates will be reduced by 1.5 percent; and
- 2008-2009, all estate tax rates will be reduced by 2 percent per year.

Unified exemption instead of unified credit:

- Under current law (see section 501 of the Taxpayer Relief Act of 1997) a unified exemption level of $675,000 is used to calculate a unified gift tax/estate tax credit of $220,550 (the exemption level is being gradually increased to $1 million by 2006). Because it is a credit, it is taken after the tax on the estate is computed. Under this bill, the exemption amount will be subtracted from the value of the estate before the tax on the estate is computed. For smaller estates, this change will lower the tax liability substantially because lower marginal tax rates will apply when computing the tax. The exemption will rise to $1 million by 2006.

Step up in basis limitation:

- Currently, all assets transferred following the death of their owner receive a "step up" in basis, meaning that their base value is calculated according to their value when their owner died. Thus, if an owner purchased stock for $1,000, and it was worth $10,000 when he died, the stock's new basis would be $10,000, not $1,000. If the person who inherited the stock sold it later for $11,000, the capital gains would be $1,000, not $10,000. Starting in 2010, this bill will limit the step up in basis to $1.3 million of the total assets transferred (except that the limit will be $3 million for assets transferred to a spouse).

(See other side)

YEAS (59)			NAYS (39)			NOT VOTING (2)	
Republicans (50 or 93%)		Democrats (9 or 20%)	Republicans (4 or 7%)	Democrats (35 or 80%)		Republicans (1)	Democrats (1)
Abraham	Hatch	Breaux	Chafee	Akaka	Johnson	Hutchinson-2	Daschle-2AN
Allard	Helms	Cleland	Jeffords	Baucus	Kennedy		
Ashcroft	Hutchison	Feinstein	Specter	Bayh	Kerrey		
Bennett	Inhofe	Landrieu	Voinovich	Biden	Kerry		
Bond	Kyl	Lincoln		Bingaman	Kohl		
Brownback	Lott	Murray		Boxer	Lautenberg		
Bunning	Lugar	Robb		Bryan	Leahy		
Burns	Mack	Torricelli		Byrd	Levin		
Campbell	McCain	Wyden		Conrad	Lieberman		
Cochran	McConnell			Dodd	Mikulski		
Collins	Murkowski			Dorgan	Moynihan		
Coverdell	Nickles			Durbin	Reed		
Craig	Roberts			Edwards	Reid		
Crapo	Roth			Feingold	Rockefeller		
DeWine	Santorum			Graham	Sarbanes		
Domenici	Sessions			Harkin	Schumer		
Enzi	Shelby			Hollings	Wellstone		
Fitzgerald	Smith, Bob			Inouye			
Frist	Smith, Gordon						
Gorton	Snowe						
Gramm	Stevens						
Grams	Thomas						
Grassley	Thompson						
Gregg	Thurmond						
Hagel	Warner						

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Those favoring final passage contended:

Eliminating the Federal death taxes will help the economy, will help small businesses and farms, and will help the environment. The only excuse for keeping them is envy. If our colleagues cannot bear to see people work hard, accumulate wealth, and then pass that wealth on to their heirs--if their envy is so great that they are willing to accept all of the negative consequences that come from imposing death taxes--then they should vote against this bill. For our part, we are not envious, nor, in poll after poll, are the American people. Death should not be a taxable event. Our Government should not be a grave robber.

Current wealth taxation policy stems from the mistaken view that redistributing income leads to the redistribution of economic power. Nearly a century of wealth taxation, however, shows that wealthy Americans simply find ways of legally avoiding the tax collector. Not only do they save less and consume more of their income, thus benefitting from the lower taxes on consumption, but they also make less productive, but safer, investments (such as land purchases), thus reducing the size of their taxable estates. Death taxes lead to a distorted distribution of consumption and a less productive economy.

If the death taxes were repealed, the effect on the economy would be significant. For instance, Professor Richard Wagner of George Mason University has estimated that if they were repealed, within 8 years the economy would be producing $80 billion more in annual output and would have created 250,000 additional jobs and a $640 billion larger capital stock. Similarly, an analysis by the Heritage Foundation found that if the tax were repealed this year, over the next 9 years: the nation's economy would average as much as $11 billion per year in extra output; an average of 145,000 additional new jobs per year would be created; personal income would rise by an average of $8 billion per year; and the deficit actually would decline, since revenues generated by extra growth would more than compensate for the meager revenues (1.7 percent of total revenues) currently raised by the inefficient estate tax. The tax is so complex that it may actually cost more to administer than it collects in revenues.

The United States has its self-made billionaires like Bill Gates, and it has its old money families, but it does not collect most of its death taxes from the estates of such people. People with huge amounts of wealth hire lawyers and accountants to squirrel away their money in trust funds and other tax dodges. In 1997, for instance, more than 50 percent of the inheritance taxes collected came from people with assets of under $5 million, and only 20 percent came from people with assets of more than $20 million. A family may build up a business, taking out only small amounts to support itself, for decades--because of its thrift, is it really fair to punish it when a family member dies by taking away more than half of its after-tax savings?

We remind our colleagues that people do not accumulate wealth tax-free. People who accumulate wealth pay taxes just like everyone else. Most people who accumulate estates worth more than $1 million are small businessmen or farmers who have built up their businesses and farms with lifetimes of hard work and thrift. They have families, and they would like to see their businesses or farms taken over by their kids. However, as soon as they die, Uncle Sam then comes in and demands as much as 60 percent of everything that they have been able to keep after taxes in their lives. This tax is especially tough on small businesses, greatly contributing to the fact that 70 percent of all family-owned businesses fail to survive from one generation to the next. Corporations, including corporate farms, get a huge advantage over family-owned businesses and farms because of the death tax. The experience of a lumberyard owner we know of in New Jersey is typical--he was hit with an inheritance bill of $1 million when his grandmother died, and at the same time he had to struggle against a new Home Depot that opened up in his area.

One little-known fact about death taxes is that they hurt the environment. According to the Competitive Enterprise Institute, over 75 percent of the species listed under the Endangered Species Act rely on private land for some or all of their habitat. Death taxes place a significant burden on the owners of such land to retain and preserve it. For instance, 25,000 acres of prime forest land in Washington each year are converted to other uses to gain revenue to pay death taxes.

In the final analysis, the only justification anyone has for imposing this tax is envy. When Democrats see people who have worked hard and paid taxes and who still have managed to build up fortunes, they want to take those fortunes away. They think the Government should take the money and spend it. We do not, and the American people do not. In poll after poll, 70 percent to 80 percent of Americans say that the death taxes should be repealed. Americans do not want Uncle Sam to be a grave robber, even when there are a lot of valuables in the grave.

Those opposing final passage contended:

We support keeping the estate tax for the very wealthy for three reasons: we agree with its social purpose; repealing it would cost too much money; and a complete repeal could lower charitable giving. Once people amass large enough fortunes, any tax on their estates will not have any appreciable effect on their thrift or industry. Eventually, once one becomes rich enough, it does not make any difference if one adds an extra $1 million. Taxes on such wealth serve a valuable social purpose, in that they take money out of the hands of the idle rich so that it can be spent on creating new opportunities for poorer Americans. If we were to repeal inheritance taxes in their entirely, as proposed in the underlying bill, it would cost $105 billion in the first 10 years (as the tax is phased out), and $500 billion in the next 10 years. The Government cannot afford such a huge loss of revenue. We note also that the inheritance tax encourages charitable giving, which is not taxed. If a billionaire leaves all of his estate to a charity, then the Federal Government does not take anything, because such giving serves a social purpose. Over the next 10 years, $330 billion will be given to charities from estates. If the rich people who will give that money can give that money tax free to their heirs instead, they may do so, and charities will lose. We cannot risk that loss, nor can we vote to cut Federal revenues by the amount advocated in this bill, nor do we think it is a good idea to allow huge sums of wealth to be hoarded from generation to generation.